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**Office of Federal Housing Enterprise Oversight  
(OFHEO)**

**NEWS RELEASE**

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**For Immediate Release**

February 05, 2007

**OFHEO Receives \$66 Million in President's FY  
2008 Budget Request**

**Assessment of Agency Shows Need for Legislation**

**Washington, DC** – OFHEO announced today the President's FY 2008 budget request and the results of OFHEO's first assessment through the government-wide Program Assessment Rating Tool (PART). The Budget again calls for legislation to create a stronger regulator for Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

The President's FY 2008 Budget calls for \$66 million for OFHEO, which regulates Fannie Mae and Freddie Mac. This request is \$1.6 million less than the request for FY 2007 because it assumes that litigation costs will fall next year as the discovery phases of all three major cases related to the former senior executives of Fannie Mae and Freddie Mac will be concluded. "While it is difficult to project the precise costs of litigation associated with OFHEO's enforcement actions, at this point in time we believe the President's budget request contains sufficient funding for the agency," said OFHEO Director James B. Lockhart.

Budget funds that OFHEO receives are not from General Revenues, but rather from the two Enterprises it regulates. Unlike other federal financial regulators, OFHEO's funds are appropriated by Congress. That means that OFHEO may only receive the budgeted amount for FY 2006, \$60 million, in FY 2007 rather than the President's request of \$67.6 million if the Continuing Resolution is extended without relief for OFHEO. The full request is needed to fund growing litigation expenses and to strengthen OFHEO's supervision team.

"We support the President's legislative recommendation for creating a new regulator for the housing GSEs, which would increase the Agency's effectiveness in accomplishing our important mission, as well as remove OFHEO from the appropriations process," said Lockhart. OFHEO also announced the results of its first PART assessment which it did jointly with the Office of Management and Budget. The PART measures effectiveness of government programs and develops improvement plans. OFHEO scored as a performing program with a rating of "adequate," the middle of five possible rating categories.

Significant findings included the following:

- In recent years, OFHEO's program has improved its effectiveness in identifying and addressing significant and systemic issues at the Enterprises that need attention.
- The program's effectiveness is restricted by limited statutory authority. OFHEO lacks express powers similar to those of other safety and soundness regulators.
- One of the factors affecting OFHEO's PART rating is that, as of FY 2006, OFHEO had not yet implemented certain bank regulator-like risk measures. OFHEO is now using such measures and will report at the end of FY 2007 on how the Enterprises performed.
- OFHEO is the only safety and soundness regulator whose funding is subject to the timing and amount approved in an annual appropriations bill. Budget flexibility is critical to ensuring the agency can adapt and respond quickly to changing circumstances at either Enterprise.

Link to OFHEO PART assessment:

<http://www.whitehouse.gov/omb/expectmore/summary/10006241.2006.html>

"This report underscores the necessity for legislation to give a new, empowered regulator all the tools it needs to ensure the safety and soundness of the housing GSEs," Lockhart said. "With increased regulatory authority and budget independence, our expectation is for increased effectiveness."

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*OFHEO's mission is to promote housing and a strong national housing finance system by ensuring the safety and soundness of Fannie Mae and Freddie Mac.*